

# EXHIBIT 2

In May 2017, the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) filed petitions for relief under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) for both the Commonwealth of Puerto Rico (the “Commonwealth”) and the Puerto Rico Sales Tax Financing Corporation (“COFINA”).

In order to facilitate the consensual resolution of issues arising in the Title III cases, the United States District Court for the District of Puerto Rico (the “Title III Court”), overseeing the Title III cases, entered an order appointing a mediation team (the “Mediation Team”). See *In re The Financial Oversight and Management Board for Puerto Rico, as representative of the Commonwealth of Puerto Rico, et al.*, Case No. 17-BK-3283 (LTS) (D.P.R. 2017) [ECF No. 430] (the “Mediation Order”). On August 10, 2017, the Title III Court entered the *Stipulation and Order Approving Procedure to Resolve Commonwealth-COFINA Dispute* [ECF No. 996] (the “Stipulation”). The Stipulation provides a procedure for litigating and/or negotiating the “Commonwealth-COFINA Dispute,” described as “whether, after considering all procedural and substantive defenses and counterclaims, including constitutional issues, the sales and use taxes purportedly pledged by COFINA to secure debt (the “Pledged Sales Taxes”) are property of the Commonwealth or COFINA under applicable law.” *Id.*

Pursuant to the Mediation Order and the Stipulation, parties have engaged in mediation of the Commonwealth-COFINA Dispute. Following an extensive arm’s length negotiation, certain stakeholders including the following parties have reached a proposed settlement outline (the “Joint Settlement Outline”) of the Commonwealth-COFINA Dispute: the Ad Hoc Group of Puerto Rico General Obligation Bondholders, the COFINA Senior Bondholders Coalition, Bonistas del Patio Inc., and certain monoline insurers (collectively, the “Supporting Parties”).

The Supporting Parties represent stakeholders from a diverse group of institutions with varying interests, including representatives of on-island bondholders and insurers of bonds issued by the Commonwealth and its instrumentalities (including COFINA). In the aggregate, the Supporting Parties hold or insure approximately \$5.62 billion in principal face amount of bonds issued or guaranteed by the Commonwealth, \$4.26 billion in principal face amount of senior bonds issued by COFINA, and \$1.30 billion in principal face amount of subordinate bonds issued by COFINA.

The Joint Settlement Outline is attached hereto as Exhibit A. The Supporting Parties believe that this Joint Settlement Outline represents a major step towards a consensual resolution of one of the most contentious disputes in the Title III cases. More specifically, resolving the Commonwealth-COFINA Dispute at this stage paves the way for the Commonwealth to exit years of disruptive defaults and costly litigation. Among other things, if a settlement could be achieved consistent with the Joint Settlement Outline, it would serve as a comprehensive solution for all COFINA bonds, reduce the Commonwealth’s debt burden by approximately \$10 billion, facilitate a more efficient plan of adjustment confirmation process, and pave the way for capital market access.

Pursuant to the Stipulation, in order to settle the Commonwealth-COFINA Dispute, the two agents appointed by the Oversight Board would need to support the Joint Settlement Outline: (i) the official committee of unsecured creditors appointed in the Commonwealth's Title III case (the "Commonwealth Agent") and (ii) Bettina Whyte (the "COFINA Agent"). While the COFINA Agent supported the allocation of the Pledged Sales Tax between the Commonwealth and COFINA, the Commonwealth Agent did not support any portion of the Joint Settlement Outline.

The Joint Settlement Outline negotiations were preceded by negotiations involving alternative structures to resolve the Commonwealth-COFINA Dispute. Once those negotiations failed, certain parties began the negotiations which resulted in the Joint Settlement Outline.

After the Commonwealth Agent indicated that it would not proceed with the Joint Settlement Outline, the Supporting Parties approached the Oversight Board and AAFAF. Through the Mediation Team, the Supporting Parties shared the materials attached hereto as Exhibit B with the Oversight Board and AAFAF. The Supporting Parties look forward to actively engaging with the Oversight Board and AAFAF with the goal of implementing a settlement consistent with the Joint Settlement Outline.